

AMENDED IN SENATE MAY 10, 2006  
AMENDED IN SENATE MARCH 30, 2006

**SENATE BILL**

**No. 1448**

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**Introduced by Senator Kuehl**

February 23, 2006

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An act to amend Section 14166.21 of, and to add and repeal Part 3.5 (commencing with Section 15900) of Division 9 of, the Welfare and Institutions Code, relating to health care, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1448, as amended, Kuehl. Health care: Medi-Cal: uninsured persons.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and which provides health care services to qualified low-income recipients. The Medi-Cal program is partially governed and funded by federal Medicaid provisions. Existing law, the Hospital/Uninsured Care Demonstration Project Act, implements that portion of a specified federally approved Medicaid demonstration project waiver relating to hospital funding.

Existing law establishes the Health Care Support Fund, which is continuously appropriated to the department for specified purposes related to the implementation of the above demonstration project waiver.

This bill would implement that portion of the federally approved demonstration project waiver relating to the expansion of Medi-Cal managed care enrollment and the extension of health care coverage to individuals currently uninsured. The bill would, in implementation of

that waiver and subject to federal financial participation, enact the Health Care Coverage Initiative Act for the purpose of extending health care coverage to those individuals. The bill would require that the initiative be designed and implemented to achieve specified outcomes, including expanding the number of Californians who have health care coverage. *The bill would prohibit the use of state General Fund moneys to fund the initiative.* It would require the department to award the funds made available from the Health Care Support Fund to fund the initiative, and to make awards to programs that best meet the requirements and desired outcomes of the initiative. The bill would provide that a county, city and county, or ~~consortium~~ *region* of more than one county is eligible to apply for the initiative funds, would specify application requirements, and would require the department to make awards to at least 3 entities and to seek to balance the awards throughout geographic areas of the state. Awards would be made for a 3-year period, and grantees would be required to provide local matching funds necessary to claim federal funds. The bill would require that federal funds under the initiative supplement, and not supplant, funds that would otherwise be used for health care services, and would limit the amount of ~~award payments~~ *funds* that may be used for program administration.

The bill would require the ~~Joint Legislative Budget Committee~~ *Legislative Analyst* to evaluate the initiative, and would require the department to monitor the programs funded under the initiative for compliance with applicable requirements.

The bill would provide that the provisions governing the initiative shall become inoperative on the date that the director executes a declaration stating that the federal demonstration project waiver has been terminated by the federal Centers for Medicare and Medicaid Services, and shall, 6 months after the date the declaration is executed, be repealed.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 14166.21 of the Welfare and  
2 Institutions Code is amended to read:

1 14166.21. (a) The Health Care Support Fund is hereby  
2 established in the State Treasury. Notwithstanding Section 13340  
3 of the Government Code, the fund shall be continuously  
4 appropriated to the department for the purposes specified in this  
5 article.

6 (b) Amounts in the Health Care Support Fund shall be paid in  
7 the following order of priority:

8 (1) To hospitals for services rendered to Medi-Cal  
9 beneficiaries and the uninsured in an amount necessary to meet  
10 the aggregate baseline funding amount, or the adjusted aggregate  
11 baseline funding amount for project years after the 2005-06  
12 project year, as specified in subdivision (d) of Section 14166.5,  
13 subdivision (b) of Section 14166.13, and Section 14166.18,  
14 taking into account all other payments to each hospital under this  
15 article. If the amount in the Health Care Support Fund is  
16 inadequate to provide full aggregate baseline funding, or adjusted  
17 aggregate baseline funding, to all designated public hospitals,  
18 project year private DSH hospitals, and nondesignated public  
19 hospitals, each group's payments shall be reduced pro rata.

20 (2) To the extent necessary to maximize federal funding under  
21 the demonstration project and consistent with Section 14166.22,  
22 the department may obtain safety net care pool funds based on  
23 health care expenditures incurred by the department for  
24 uncompensated medical care costs of medical services provided  
25 to uninsured individuals, as approved by the federal Centers for  
26 Medicare and Medicaid Services. These expenditures shall  
27 include those incurred under the Health Care Coverage Initiative  
28 established pursuant to Part 3.5 (commencing with Section  
29 15900).

30 (3) Stabilization funding, allocated and paid in accordance  
31 with Sections 14166.75, 14166.14, and 14166.19.

32 (c) Any amounts remaining after final reconciliation of all  
33 amounts due at the end of a project year shall remain available  
34 for payments in accordance with this section in the next project  
35 year.

36 (d) The fund shall include any interest that accrues on amounts  
37 in the fund.

38 SEC. 2. Part 3.5 (commencing with Section 15900) is added  
39 to Division 9 of the Welfare and Institutions Code, to read:

1       PART 3.5. HEALTH CARE COVERAGE INITIATIVE

2  
3       15900. The Legislature finds and declares the following:

4       (a) Approximately 21 percent of nonelderly Californians lack  
5 health insurance coverage. Many are low-income individuals  
6 who are not eligible for existing public health coverage  
7 programs.

8       (b) California will receive one hundred eighty million dollars  
9 (\$180,000,000) in federal funds for three years to fund a Health  
10 Care Coverage Initiative for uninsured individuals. These funds  
11 are to be provided pursuant to the Special Terms and Conditions  
12 of California's Section 1115 Medicaid demonstration project  
13 waiver number 11-W-00193/9 relating to hospital financing and  
14 health coverage expansion.

15       (c) California's health care safety net system plays an essential  
16 role in delivering critical health services to low-income  
17 individuals.

18       (d) Local governments have the unique ability to design health  
19 service delivery models that meet the needs of their diverse  
20 populations and build on local infrastructures.

21       15901. (a) There is hereby established the Health Care  
22 Coverage Initiative to expand health care coverage to  
23 low-income uninsured individuals in California.

24       (b) The Health Care Coverage Initiative shall operate pursuant  
25 to the ~~special~~ *Special* Terms and Conditions of California's  
26 Section 1115 Medicaid demonstration project waiver number  
27 11-W-00193/9 relating to hospital financing and health coverage  
28 expansion that became effective September 1, 2005. The  
29 initiative shall be implemented only to the extent that federal  
30 financial participation is available.

31       15902. (a) Persons eligible to be served by the Health Care  
32 Coverage Initiative are low-income uninsured individuals who  
33 are not currently eligible for the Medi-Cal program, Healthy  
34 Families Program, or Access for Infants and Mothers program.

35       (b) Funding for the Health Care Coverage Initiative shall be  
36 used to expand health care coverage for ~~uninsured individuals,~~  
37 ~~which may include case management services to assist~~  
38 ~~individuals to complete the disability determination process for~~  
39 ~~the Supplemental Security Income/State Supplementary~~  
40 ~~Program.~~ *eligible uninsured individuals.*

1 (c) Any expansion of health care coverage for uninsured  
2 individuals shall not diminish access to health care available for  
3 other uninsured individuals, including access through public  
4 hospitals, county clinics, or community clinics.

5 (d) The Health Care Coverage Initiative shall not be  
6 considered a state entitlement program.

7 *(e) No state General Fund moneys shall be used to fund the*  
8 *Health Care Coverage Initiative.*

9 15903. The Health Care Coverage Initiative shall be designed  
10 and implemented to achieve all of the following outcomes:

11 (a) Expand the number of Californians who have health care  
12 coverage.

13 (b) Strengthen and build upon the local health care safety net  
14 system, including public hospitals, county clinics, and  
15 community clinics.

16 (c) Improve access to high quality health care and health  
17 outcomes for individuals.

18 (d) Create efficiencies in the delivery of health services that  
19 could lead to savings in health care costs.

20 (e) Provide grounds for long-term sustainability of the  
21 programs funded under the initiative.

22 (f) Implement programs in an expeditious manner in order to  
23 meet federal requirements regarding the timing of expenditures.

24 15904. (a) The State Department of Health Services shall  
25 issue a request for applications for funding the Health Care  
26 Coverage Initiative.

27 (b) The department shall award the funds made available from  
28 the Health Care Support Fund established pursuant to Section  
29 14166.21 to fund the initiative. ~~The department shall make~~  
30 ~~awards to programs that best meet the requirements and desired~~  
31 ~~outcomes pursuant to this part.~~

32 *(c) The department shall make awards to programs that best*  
33 *meet the requirements and desired outcomes set forth in this part.*

34 *(d) The following elements shall be used in evaluating the*  
35 *proposals for award and in the determination of the allocation of*  
36 *the available funds:*

37 *(1) Enrollment processes, with an identification system to*  
38 *demonstrate enrollment into the Health Care Coverage Initiative.*

39 *(2) Use of a medical record system, which may include*  
40 *electronic medical records.*

1 (3) *Designation of a medical home and processes used to*  
2 *assign eligible individuals to a primary care provider. For*  
3 *purposes of this paragraph, “medical home” means a single*  
4 *provider or facility that maintains all of an individual’s medical*  
5 *information.*

6 (4) *Provision of a benefit package of services, including*  
7 *preventive and primary care services, and care management*  
8 *services designed to treat individuals with chronic health care*  
9 *conditions, mental illness, or who have high costs associated*  
10 *with their medical conditions, to improve their health and*  
11 *decrease future costs.*

12 (5) *Quality monitoring processes to assess the health care*  
13 *outcomes of individuals enrolled in the Health Care Coverage*  
14 *Initiative project.*

15 (6) *Promotion of the use of preventive services and early*  
16 *intervention.*

17 (7) *The provision of care to Medi-Cal beneficiaries by the*  
18 *contracting entity and the degree to which the entity coordinates*  
19 *its care with services provided to Medi-Cal beneficiaries.*

20 (8) *Screening and enrollment processes for individuals who*  
21 *may qualify for enrollment into Medi-Cal, Healthy Families, and*  
22 *Access for Infants and Mothers prior to enrollment into the*  
23 *Health Care Coverage Initiative project.*

24 (9) *The ability to demonstrate how the Health Care Coverage*  
25 *Initiative will promote the viability of the existing safety net*  
26 *health care system.*

27 (10) *Documentation to support ability to implement the Health*  
28 *Care Coverage Initiative by September 1, 2007, and to use their*  
29 *allocation for each project year.*

30 ~~(e)~~

31 (e) *Entities eligible to apply for the initiative funds are a*  
32 *county, city and county, or consortium of counties serving a*  
33 *region consisting of more than one county.*

34 ~~(d)~~

35 (f) *The department shall make awards to at least three entities.*  
36 ~~*The department shall seek to balance the awards throughout*~~  
37 ~~*geographic areas of the state. entities.*~~

38 (g) *The department shall seek to balance the awards*  
39 *throughout geographic areas of the state.*

40 ~~(e)~~

(h) Each county, city and county, or consortium of counties that is awarded funding shall provide the necessary local matching funds consisting of certified public expenditures to claim the *federal* funds made available from the Health Care Support Fund. The certified public expenditures shall meet the requirements of the ~~special~~ *Special* Terms and Conditions of California's Section 1115 Medicaid demonstration project waiver number 11-W-00193/9 relating to hospital financing and health coverage expansion that became effective September 1, 2005.

~~(f) Each award granted shall be available to the grantee for a three-year period. Grantees shall expend the funds according to an expenditure schedule as determined by the department.~~

~~(g) The department may reallocate funds among the awarded counties, cities or counties, or consortiums of counties receiving funding if necessary to meet federal requirements regarding the timing of expenditures. If a grantee fails to substantially comply with the requirements of this part, the department may reallocate funds to other grantees. Grantees receiving reallocated funds shall provide the necessary local matching funds consisting of certified public expenditures.~~

~~(h) No more than 5 percent of the award payments shall be used by counties, cities or counties, or consortiums of counties for program administration.~~

*(i) Each award granted shall be available to the awarded entity for the three-year period covering the Health Care Coverage Initiative project as per the Special Terms and Conditions of California's Section 1115 Medicaid demonstration project waiver number 11-W-00193/9 relating to hospital financing and health coverage expansion. Awardees shall expend the funds according to an expenditure schedule determined by the department.*

*(j) The department may reallocate the available federal funds among the awarded counties, cities and counties, or regions of counties receiving funding if necessary to meet federal requirements regarding the timing of expenditures. If an awarded entity fails to substantially comply with the requirements of this article, the department may reallocate the available federal funds to other counties, cities and counties, or regions of counties that are receiving funds. Entities receiving reallocated funds must*

1 *have the ability to provide the necessary local matching funds*  
2 *consisting of certified public expenditures.*

3 ~~(i)~~

4 *(k) Federal funds provided for the initiative shall supplement,*  
5 *and not supplant, any county, city and county, state, or federal*  
6 *funds that would otherwise be spent on health care services in the*  
7 *awarded county, city and county, or consortium of counties.*  
8 *Administrative costs shall not be paid from a Health Care*  
9 *Coverage Initiative project, and any allocations for*  
10 *administrative funds shall be in addition to the allocations made*  
11 *for the initiative. A county, city and county, or region of counties*  
12 *shall expend an amount equal to not more than 5 percent of its*  
13 *grant award on administrative costs.*

14 15905. Applications submitted to the department shall  
15 include, but not be limited to, each of the following:

16 *(a) A description of the proposed health care coverage*  
17 *program, including eligibility criteria and screening and*  
18 *enrollment processes.*

19 *(b) A description of the quality monitoring system to be*  
20 *implemented with the health care coverage project.*

21 ~~(b)~~

22 *(c) A description of the population to be served.*

23 ~~(e)~~

24 *(d) A list of health care providers—participating who have*  
25 *agreed to participate in the program.*

26 ~~(d) A list of the health benefits to be provided.~~

27 *(e) A description of the organized health care delivery systems*  
28 *to be used for the health care coverage project.*

29 *(f) A list of the health benefits to be provided, including the*  
30 *preventive and primary care services.*

31 *(g) A description of the care management services to be*  
32 *provided, and the providers of those services.*

33 ~~(e)~~

34 *(h) A calculation of the average cost per individual served.*

35 ~~(f)~~

36 *(i) The number of individuals to be served.*

37 ~~(g) The mechanism for the county, city and county, or~~  
38 ~~consortium of counties to distribute the funds to providers and~~  
39 ~~other entities.~~

40 ~~(h) A description of the source of local matching funds.~~



1 ~~(i) A description of how the project will strengthen the local~~  
2 ~~health care safety net system.~~

3 ~~(j) A consent form signed by the applicant to provide~~  
4 ~~requested data elements.~~

5 *(j) The mechanism for the county, city and county, or region of*  
6 *counties to distribute the funds to providers and other entities.*

7 *(k) A description of the source of the local nonfederal share of*  
8 *funds.*

9 *(l) A description of how the project will strengthen the local*  
10 *health care safety net system.*

11 *(m) A consent form signed by the applicant to provide*  
12 *requested data elements as required per the Special Terms and*  
13 *Conditions of California's Section 1115 Medicaid demonstration*  
14 *project waiver number 11-W-00193/9 relating to hospital*  
15 *financing and health coverage expansion.*

16 15906. ~~(a) The Joint Legislative Budget Committee~~  
17 *Legislative Analyst* shall seek partnership with an independent,  
18 nonprofit group or foundation, an academic institution, or a  
19 governmental entity providing grants for health-related activities,  
20 to evaluate the programs funded under the initiative.

21 (b) The evaluation shall, at a minimum, include an assessment  
22 of the extent to which the programs have met the outcomes listed  
23 in Section 15903.

24 (c) The department and the awarded entities shall provide the  
25 data for the evaluation.

26 (d) The evaluation shall be submitted concurrently to the  
27 appropriate policy and fiscal committees of the Legislature and to  
28 the Secretary of Health and Human Services.

29 (e) No state General Fund moneys or federal Health Care  
30 Coverage Initiative funds shall be used to fund the evaluation.

31 15907. (a) The department shall monitor the programs  
32 funded under the initiative for compliance with applicable federal  
33 requirements and the requirements under this part, *and pursuant*  
34 *to the Special Terms and Conditions of California's Section 1115*  
35 *Medicaid demonstration project waiver number 11-W-00193/9*  
36 *relating to hospital financing and health coverage expansion.*

37 (b) To the extent necessary to implement this part, the  
38 department shall submit, by September 1, 2006, to the federal  
39 Centers for Medicare and Medicaid Services, proposed waiver

1 amendments on the structure of, and eligibility and benefits  
2 under, the Health Care Coverage Initiative.

3 (c) The department shall monitor the awards at least quarterly  
4 for spending levels. If a grantee is unable to meet its spending  
5 targets, the department may reallocate funds to other grantees in  
6 order to prevent federal funds from reverting from the state to the  
7 federal government.

8 (d) No funds made available from the Health Care Support  
9 Fund for the Health Care Coverage Initiative may be used for  
10 administration by the department.

11 ~~(e) Contracts awarded to a county, city or county or~~  
12 ~~consortium~~

13 *(e) Contracts awarded to a county, city and county, or region*  
14 *of counties pursuant to this part shall not be subject to Part 2*  
15 *(commencing with Section 10100) of Division 2 of the Public*  
16 *Contract Code.*

17 (f) The department may adopt regulations to implement this  
18 part. These regulations may initially be adopted as emergency  
19 regulations in accordance with the rulemaking provisions of the  
20 Administrative Procedure Act (Chapter 3.5 (commencing with  
21 Section 11340) of Part 1 of Division 3 of Title 2 of the  
22 Government Code). For purposes of this part, the adoption of  
23 regulations shall be deemed an emergency and necessary for the  
24 immediate preservation of the public peace, health, and safety or  
25 general welfare. Any emergency regulations adopted pursuant to  
26 this section shall not remain in effect subsequent to the date that  
27 this part is repealed pursuant to Section 15908.

28 (g) As an alternative, and notwithstanding the rulemaking  
29 provisions of Chapter 3.5 (commencing with Section 11340) of  
30 Part 1 of Division 3 of Title 2 of the Government Code, or any  
31 other provision of law, the department may implement and  
32 administer this part by means of provider bulletins, county  
33 letters, manuals, or other similar instructions, without taking  
34 regulatory action. The department shall notify the fiscal and  
35 appropriate policy committees of the Legislature of its intent to  
36 issue a provider bulletin, county letter, manual, or other similar  
37 instruction, at least five days prior to issuance. In addition, the  
38 department shall provide a copy of any provider bulletin, county  
39 letter, manual, or other similar instruction issued under this

1 paragraph to the fiscal and appropriate policy committees of the  
2 Legislature.

3 (h) The department shall consult with interested parties and  
4 appropriate stakeholders regarding the implementation and  
5 ongoing administration of this part.

6 15908. This part shall become inoperative on the date that the  
7 director executes a declaration, which shall be retained by the  
8 director and provided to the fiscal and appropriate policy  
9 committees of the Legislature, stating that the federal  
10 demonstration project provided for in this part has been  
11 terminated by the federal Centers for Medicare and Medicaid  
12 Services, and shall, six months after the date the declaration is  
13 executed, be repealed.

14 SEC. 2. This act is an urgency statute necessary for the  
15 immediate preservation of the public peace, health, or safety  
16 within the meaning of Article IV of the Constitution and shall go  
17 into immediate effect. The facts constituting the necessity are:

18 In order to implement the federal Medicaid demonstration  
19 project waiver number 11-W-00193/9 and to ensure that  
20 uninsured individuals who need health care receive that care at  
21 the earliest possible time, it is necessary that this act take effect  
22 immediately.